BRANDES
INVESTMENT PARTNERS

Brandes Investment Partners
Asia Pacific (ex-Japan) Equity Strategy Notes
Second Quarter 2023 (April 1 – June 30, 2023)

The Brandes Asia Pacific (ex-Japan) Equity Strategy returned 1.08% net of fees and 1.32% gross of fees, outperforming its benchmark, the MSCI AC Asia Pacific ex Japan Index, which fell 1.04% during the quarter.

Annualized total return as of June 30, 2023	1-year	5-year	10-year
Brandes Asia Pacific (ex-Japan) Equity Composite (net)	8.49%	-0.15%	4.67%
Brandes Asia Pacific (ex-Japan) Equity Composite (gross)	9.53%	0.80%	5.68%
MSCI AC Asia Pacific ex Japan Index	0.80%	1.58%	4.48%

Past performance is not a guarantee of future results. One cannot invest directly in an index. Returns include reinvestment of all dividends and are reduced by any applicable foreign withholding taxes, without provisions for income taxes, if any.

Positive Contributors

Select information technology companies were among the top performers, led by South Korea-based **SK Hynix** and **Samsung Electronics**, Singapore-based **Flex** and Taiwan-listed **Wiwynn**. Several bank holdings also lifted returns, notably India-based **IndusInd Bank** and **HDFC Bank**, as well as **Bank Rakyat Indonesia**.

Other meaningful contributors included Indonesian food products company **Indofood** and select communication services companies, notably India-based mobile telecom tower company **Indus Towers**. Additionally, holdings in China contributed to relative returns.

Performance Detractors

Significant detractors included holdings in the consumer discretionary sector, including China-based **Alibaba**, **TravelSky Technology** and **China Education Group**, Malaysia's **Genting Berhad**, and Hong Kong-based **Luk Fook Holdings**.

Alibaba declined on weaker-than-expected demand recovery in China. An announcement by its largest shareholder, Softbank, that it would sell most of its stake pressured the company's shares further. Following the share-price decline, Alibaba now trades at less than 10x forward earnings, a level that we think offers an attractive investment opportunity given the firm's competitive position and long-term growth prospects. Moreover, Alibaba still plans to split its business into six units, which may help crystallize value for some of its underappreciated assets.

Other detractors included South Korean personal care products company **LG H&H** and China-based logistics company **ZTO Express**. Additionally, our underweight to India hurt performance relative to the MSCI AC Asia Pacific ex-Japan Index.

Select Activity in the Quarter

The emerging markets investment committee added China-based **LONGi Green Energy Technology**.

LONGi is the world's largest integrated manufacturer of solar wafer and modules, with industry-leading profit margins. The company's key competency lies in wafer production, which accounts for the bulk of its profits. Integrated players sell their wafers after assembling them into finished modules, or in the case of LONGi, also via external sales to third-party module producers.

LONGi saw its share price halved over the past year due to both industry-wide and company-specific challenges. At the industry level, aggressive capacity expansion plans by incumbents and new entrants posed the threat of an oversupply, while elevated prices for polysilicon (a raw material for solar modules) squeezed profits along the solar value chain. To a lesser extent, there has also been a concern that geopolitical issues, including trade barriers and strong policy support for solar panel manufacturers in the U.S., could result in market share losses for major Chinese players (note that the Americas segment, which includes sales to the U.S., accounted for around 7% of LONGi's sales in 2022). Specific to LONGi, the company's technological leadership was called into question after it lagged peers in deploying the latest solar cell technology and investors became worried that aggressive pricing by its main competitor in China's wafer duopoly market could potentially hurt LONGi's main profit engine.

We believe the current situation represents an opportunity for long-term investors to purchase LONGi at a time when this industry leader has fallen out of favor. Previously considered a "high-growth" company, LONGi now trades at a valuation multiple that implies little to no growth and at a discount to most of its peers—despite having cost and technological leadership in a growing market. While we expect the industry to continue to be increasingly competitive and understand that any technological edge is likely short-lived, we believe LONGi is well positioned to remain competitive over the long term given its deep pool of resources and its core competency in wafer manufacturing.

Year-to-Date Briefing

The Brandes Asia Pacific (ex-Japan) Equity Strategy returned 6.15% net of fees and 6.65% gross of fees, outperforming the MSCI AC Asia Pacific ex Japan Index, which increased 3.02% for the six months ended June 30, 2023.

The strongest contributors were holdings in the information technology sector, led by Wiwynn, **Accton Technology**, SK Hynix, Samsung and **Taiwan Semiconductor Manufacturing**. From a geographic standpoint, the strategy benefited most from holdings in Taiwan and Indonesia.

Notable detractors were primarily holdings in the consumer discretionary sector, including TravelSky Technology and China Education Group. Other detractors included LG H&H, software business **Chinasoft International**, and Indus Towers.

Current Positioning

From a portfolio positioning standpoint, the strategy continued to have its largest country weightings in China, Taiwan, and South Korea. We remained underweight companies in India and have no holdings in Australia or New Zealand, as has been the case for a number of years.

From a sector perspective, the portfolio's largest weightings were in consumer discretionary, information technology and financials. Notable underweights were in materials, which coincides with its lack of exposure to Australia, as well as to energy.

We believe the positioning of the Brandes Asia Pacific (ex-Japan) Equity Strategy bodes well for the long term. We thank you for your continued trust.

Forward Earnings: Sell-side analysts' consensus earnings estimates for the next fiscal year.

Forward Price/Earnings: Price per share divided by earnings per share expected over the next 12 months or next fiscal year.

The MSCI AC Asia Pacific ex Japan Index with net dividends captures large and mid cap representation of developed and emerging markets in the Asia Pacific region, excluding Japan. Data prior to 2001 is gross dividend and linked to the net dividend returns.